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## BIWEEKLY REPORT

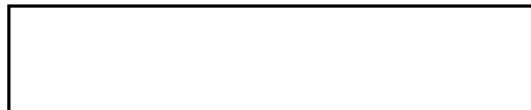
# SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/27

18 February 1957

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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Summary of Events  
1 - 14 February 1957

Recent activities in the underdeveloped countries of the Free World which relate to the Sino-Soviet Bloc economic offensive include (1) confirmation of the \$34.5-million cotton agreement between Egypt and the USSR; (2) revision of foreign exchange controls by Egypt to favor trade with Bloc countries; and (3) implementation of agreements between India and the USSR, Indonesia and East Germany, Nepal and Communist China, and Syria and the USSR.

The cotton agreement between Egypt and the USSR and the revision of foreign exchange controls by Egypt will probably increase the Bloc share of Egyptian foreign trade and are intended to alleviate Egypt's foreign exchange difficulties over the short-term. About 70 percent of the cotton purchased by the USSR from Egypt will be paid for in dollars.

In South Asia a Soviet team has reported to the Indian government on the proposed construction of a heavy machinery and equipment plant in India. The USSR has also offered to set up an optical glass plant in Calcutta, and a Hungarian firm has been awarded a contract to supply almost \$1.5 million in heavy electrical equipment to Kashmir. In the same area, Nepal announced the receipt of \$2.1 million in cash aid from Communist China.

East German technicians have arrived in Indonesia to aid in the construction of a sugar mill in Jogjakarta.

In the Middle East and Africa, Syria has received almost all of the arms contracted in the \$45 million agreement with Czechoslovakia and several shipments of military equipment under the \$25 million agreement with the USSR. About 25,000 tons of petroleum has been delivered by the USSR since Syria's usual sources of supply were cut off in November. Egypt, as mentioned earlier, has sold 36,000 tons of cotton valued at \$34.5 million to the USSR and has changed its

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foreign exchange regulations to favor trade with the Bloc. Bulgaria has sent a permanent commercial representative to Ethiopia to join other Bloc representatives from Czechoslovakia and the USSR already in Ethiopia.

In Latin America, Uruguay and Poland signed a new interbank payments agreement which includes a provision for Polish payments to Uruguay in convertible currencies. This provision is embodied also in Uruguayan trade and payments agreements with Czechoslovakia and the USSR which are not as yet ratified.

In Europe, recent information disclosed by the Yugoslavs indicates that at the end of September Yugoslavia had drawn only a small percentage of the credits granted by the Soviet Bloc countries. Although a protocol to implement an agreement with the USSR on atomic energy was signed by Yugoslavia, negotiations between the Yugoslav Chamber of Foreign Trade and the East German Chamber of Trade broke down when the East Germans demanded that the trade agreement be signed by the respective governments. Reports from Iceland indicate that no evidence exists of a reported Czechoslovak offer to help finance hydro-electric plants on the Sog River in Iceland.

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